

ASSEMBLY BILL

No. 1693

Introduced by Assembly Member Eng

February 23, 2007

An act to add Section 18512 to the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1693, as introduced, Eng. Income tax returns: refunds: savings bonds.

Existing income tax laws specify requirements for filing income tax returns and receiving refunds for over payments.

This bill would require the Franchise Tax Board to revise the California personal income tax return, and take other specified actions, in order to allow filers to purchase United States Savings Bonds with refunds, as provided.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. This act shall be known, and may be cited as, the
- 2 Refunds to Savings Act.
- 3 SEC. 2. The Legislature finds and declares all of the following:
- 4 (a) The state should explore new ways to make it easier for
- 5 Californians to save. Californian's savings may be at their lowest
- 6 levels ever. Nationally, the savings rate recently dipped below zero
- 7 and stayed there for over a year. The last time it was that low was
- 8 during the Great Depression.

1 (b) Thirty percent of California families don't have enough
2 savings to get by, at the poverty level, for three months if they
3 were to lose their source of income. This is the fourth highest "asset
4 poverty" rate in the country. Without savings, these families may
5 be one divorce, layoff, or health care crisis away from the streets
6 and government dependence. According to the United States
7 Census, twenty-eight percent of California adults do not have
8 checking or savings accounts.

9 (c) For the eight million Californians who receive an average
10 eight hundred dollar (\$800) state income tax refund, these tax
11 windfalls present one of their best opportunities to save. California
12 can make it easy for people to save, right on their tax forms, before
13 their refunds are in hand and spending temptations set in.

14 (d) Recent academic research, and much common wisdom,
15 suggests that people will be more likely to save, if saving is made
16 easy. A California tax time savings initiative aims to apply this
17 logic in order to facilitate the savings of tax refunds.

18 (e) The State of California should amend its state income tax
19 forms to allow filers to purchase savings bonds, for themselves or
20 their children, with a portion of their refunds. Linking tax forms
21 to savings bonds makes sense, especially for lower and modest
22 income tax filers. Savings bonds, a simple and affordable financial
23 product that does not require the buyer to own a bank account,
24 could be appealing to "unbanked" Californians.

25 (f) The ability to purchase savings bonds with a portion of their
26 tax refunds will make it easier for California families to save for
27 their children. Over time, these initial tax time investments could
28 grow into a resource for California youth to draw on to finance
29 education, put towards a down payment on a home, or purchase a
30 car to get to a job. These nest eggs will provide a crucial leg up as
31 these young people enter adulthood and strive to succeed
32 economically.

33 (g) By making it easier for Californians to save part of their
34 hard-earned refunds, policymakers can help families build the
35 personal safety nets they need to thrive in today's economy. With
36 this change, California would lead the nation in harnessing tax
37 time savings to build families' economic security.

38 SEC. 3. Section 18512 is added to the Revenue and Taxation
39 Code, to read:

1 18512. (a) In order to make it as easy as possible for California
2 tax refund recipients to invest all, or some, of their tax refunds in
3 savings bonds, the state paper and electronic income tax forms
4 shall be amended pursuant to this section to allow filers to purchase
5 United States Savings Bonds.

6 (b) The Franchise Tax Board shall do all of the following:

7 (1) Revise the California personal income tax return to include
8 a savings bond option.

9 (2) Work with online and software vendors to update programs
10 with the bond option.

11 (3) Work with free tax preparation sites and commercial
12 preparers to spread awareness of the new option.

13 (4) Develop public information about the bond purchase option.

14 (5) Collaborate with the federal Bureau of Public Debt (BPD)
15 to create a batch file transfer system for bond purchase information.

16 (6) Establish a mechanism for remitting bond purchase funds
17 from tax return dollars to the BPD.